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Report of the Secretary-General pursuant to paragraphs 7 and 8 of Security Council resolution 1409 (2002)

I. Introduction

1. The present report is submitted pursuant to paragraphs 7 and 8 of Security Council resolution 1409 (2002) of 14 May 2002. As agreed by the Council at its informal consultations held on 25 September 2002, a note by the Office of the Iraq Programme, dated 11 November, has also been circulated to the members of the Council providing detailed information on the implementation of the humanitarian programme in Iraq pursuant to resolution 986 (1995) since the submission of its last note, covering the period up to 15 September 2002, on 19 September. The note also provides information on the implementation of the goods review list (S/2002/515, annex) and the revised procedures attached to resolution 1409 (2002). The present report and the note have been placed on the web site of the Office of the Iraq Programme (www.un.org/Depts/oip).

II. Implementation of the programme

2. The programme has been expanded beyond its initial emphasis on the provision of food and medicine, in terms of both the level of funding as well as its scope, and is presently also involved in infrastructure rehabilitation, particularly where it affects the humanitarian programme. The distribution plan for phase XII (S/2002/666) covers 24 sectors, with 10 new sectors added by the Government of Iraq for the 15 governorates in the centre and south of Iraq. The United Nations implements the programme in the three northern governorates of Dahuk, Erbil and Sulaymaniyah, on behalf of the Government of Iraq.

3. In any assessment of the implementation of the programme, apart from the physical constraints and the financial difficulties currently faced in implementing the programme, it is essential to take into account the prevailing political, economic and social conditions within which it is being implemented.

4. As at 31 October 2002, the total value of the humanitarian supplies and equipment delivered to Iraq under the programme was just under $25 billion, including $1.5 billion for the oil industry. Additional supplies and equipment with a total value of $10 billion under already approved applications for contracts and having the necessary funds available were in the delivery pipeline.

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5. In addition to improving the overall socio-economic conditions of the Iraqi people countrywide, the programme has prevented the further degradation of public services and infrastructure. In several areas, the programme has stabilized and improved access to humanitarian goods and services. Notwithstanding the significant achievements of the programme in improving the humanitarian condition of the Iraqi people compared to their dire plight in 1996, there still remains much to be done. The more significant achievements and some of the shortcomings as well as difficulties encountered are summarized below.

A. Achievements, shortcomings and difficulties encountered

Food sector

6. In the food sector, the nutritional value of the monthly food basket distributed countrywide has almost doubled since 1996, from about 1,200 to about 2,200 kilocalories per person per day. However, the United Nations agencies and programmes estimate that over 60 per cent of the Iraqi population — the poorest of the poor — rely solely on the monthly food basket to meet all household needs.

7. In the three northern governorates, the United Nations has carried out several activities to enhance the food security of vulnerable groups and to create alternative sources of income. In June 2002, an assessment indicated that 90 per cent of the beneficiaries in Dahuk and Erbil enjoyed increased food security. Agencies provided input for skills training that aimed at improving women's access to income and other assets and providing training in literacy and technical skills.

Transport and food handling

8. There have been major achievements in the area of transport and food handling. Traffic through the Umm Qasr port in 2001 was 16 per cent greater than in 2000. This affects all sectors because of the quicker discharge of vessels, the faster receipt of programme inputs and a reduction in transport cost. The rehabilitation and expansion of railway power capacity and track infrastructure has reportedly resulted in an increase in goods traffic of some 30 per cent in 2001 compared with 2000. Private and public road transport has been rehabilitated to varying degrees, and safe and reliable inter-city public passenger transportation services have been restored. The intra-city public passenger transportation services in Baghdad, Mosul, Hilla, Kirkuk and Basra have been rehabilitated. The restoration of more affordable public passenger services to urban and suburban communities increases the accessibility of the residents to public medical and social services. Similarly, the public sector goods transport fleet, which plays a key role in the transportation and distribution of programme commodities, is undergoing major upgrading, resulting in increased efficiency of distribution and the improvement of some national market conditions.

9. The installation of cleaning and handling equipment in silos and the preservation of grain through fumigation with Phostoxin has reduced storage and handling losses. The maintenance and repair of mills, plus the installation of generators, has improved the reliability of milling operations, resulting in an improvement in production capacity and the quality of flour produced for the food basket by the country's more than 140 mills.

Health

10. There have been notable achievements in the health sector, and the health care delivery services have improved significantly as a result of the programme inputs for the diagnosis and treatment of disease. Compared to 1997, major surgeries have increased by 40 per cent and laboratory investigations by 25 per cent in the centre and south. Also in the centre and south, there has been a reduction in a number of communicable diseases, such as cholera, malaria, measles, mumps, meningitis and tuberculosis, and countrywide there have been no cases of polio in the last 32 months because of the high quality of the immunization campaigns. In addition, the programme has helped to provide advanced medical services, such as at the Saddam Centre for Neurological Sciences, the AIDS Research and Study Centre, the Acupuncture Therapy Centre, the Tuberculosis Control Institute and the National Centre for Haematology Research, resulting in improvements in the health care delivery system in these new or rehabilitated specialized centres.

11. There are, however, shortages of pre-anaesthetics and reagents because of dual-use concerns by members of the Committee. Pharmaceuticals for treating leukaemia and cancer are also in short supply countrywide, owing in part to the insufficient financial allocation by the Government of Iraq and procurement chain difficulties that have resulted in the erratic arrival of commodities that are used in a "cocktail" with other drugs and in part to dual-use concerns. The rationing of pharmaceuticals for outpatients has been the norm because of their short supply, due, in part, to insufficient financial allocations and under-procurement by the Government.

12. Furthermore, in the three northern governorates, cholera has been eradicated. The incidence of malaria has been reduced to the 1991 level and measles morbidity has been reduced considerably.

Nutrition

13. In the area of nutrition, the trend of malnutrition among children under the age of five, albeit still at a relatively high level, has been arrested and reversed in the centre and south. Malnutrition rates in 2002 are half those of 1996. Preliminary findings indicate a reduction in the number of underweight children from 23 per cent in 1996 to 10 per cent in 2002, chronic malnutrition from 32 per cent in 1996 to 24 per cent in 2002 and acute malnutrition from 11 per cent in 1996 to 5.4 per cent in 2002.

14. During the same period referred to above, in the three northern governorates, there has been a 20 per cent reduction in acute malnutrition, a 56 per cent reduction in chronic malnutrition and a 44 per cent reduction in the incidence of underweight children in the under-five age group, in part because of a specifically targeted nutrition programme and supplementary feeding for pregnant and lactating mothers and other vulnerable groups. The nutrition programme, which started in 1998, continues to provide supplementary rations to an average of 75,000 people in the three northern governorates, including malnourished children and their families, pregnant women and nursing mothers. It also supplied high-energy biscuits to 350,000 primary school children in rural areas to supplement their micronutrient needs.

Water and sanitation

15. In the water and sanitation sector, the deterioration of water facilities has been halted, resulting in improved access by consumers to potable water. The amount available in urban areas is now 197 litres per person per day, compared with 166 litres in 1997. The rehabilitation of the networks in the centre and south has resulted in a decrease in the amount of water lost through leakage from 40 per cent to 30 per cent. In the three northern governorates, the finalization of a water project in Dahuk has provided safe water for 250,000 people. Throughout the three northern governorates, the construction of pump and chlorinator houses and the installation of chlorinators benefited 91,000 and 229,300 people respectively. Basic city maps have now been completed showing land, roads and housing on which detailed information concerning the location of water sources, water and sewage networks, electricity and telecommunication networks, population density, major water users and sources of pollution can be overlaid.

16. Access to potable water is insufficient in both quantity and quality, and in many cases the water and sanitation networks remain in a poor state of repair. On top of this, an estimated 500,000 metric tons of solid raw or partially raw sewage is discharged daily into the two rivers, which are the main source of water. As a result of these factors and the poor state of the infrastructure, the degradation of the social situation and meagre household incomes, malnutrition, while improving, remains high.

Agriculture

17. As a result of achievements in the agriculture sector, large segments of the community are able to supplement their diet with produce at affordable prices. In the centre and south, the production of poultry, meat and eggs has doubled, and the provision of veterinary instruments and vaccines has had a positive impact on animal health and production. Maize and sunflower production has increased by 25 per cent as a result of the importation of seeds under the programme.

18. The cleaning of irrigation canals, the construction of new canals and dams and the lining of earth irrigation and drainage canals have resulted in significant land reclamation and the provision of more water for irrigation and livestock, and has also increased agricultural production. In the three northern governorates, programme supplies have contributed to a substantial increase in agricultural production. These increases, in both winter and summer crops, can be attributed to good rains during the winter, the high quality of inputs provided by the programme, extension and farmer training activities and the farmers' adoption of improved farming techniques. Ongoing activities such as the backyard poultry programme provided assistance to more than 35,000 low-income beneficiaries.

Electricity

19. The situation in the electricity sector has been improving gradually, as evidenced by a more reliable supply of electricity to consumers. The amount of power available has increased by 900 megawatts compared to 2001 in the centre and south, resulting in a decrease in the duration and number of scheduled power cuts. During the current year's summer peak, there were no planned power cuts in Baghdad City.

20. The supply of electricity from the network in the Sulaymaniyah and Erbil governorates is now sufficient to meet the minimum humanitarian requirements in these areas and, assuming average rainfall next winter — with back-up supply from the 29 megawatt diesel generators provided under the programme — will be sufficient to meet the basic electricity requirements of the governorates until the end of 2003. As well as providing an emergency supply of electricity during the three-year drought through the procurement of over 2,000 small to medium-sized generators, the United Nations assisted in rearranging distribution networks to benefit more low-income domestic consumers, many of whom now have a continuous power supply 24 hours a day.

21. Notwithstanding the minimal commercial and industrial demand, power cuts are still a fact of life in most parts of Iraq, which has an unfavourable impact on the humanitarian programme.

Telecommunications

22. The telecommunication infrastructure in the centre and south continues to improve, with an increase in the number of telephone calls placed successfully. Programme inputs have replaced 96,000 old telephone lines and added 29,000 new ones. In the three northern governorates, programme activity has centred on preparing sites for the eventual start-up of projects, subject to approval of a pending contract worth $28 million.

Education

23. In the education sector, the distribution of 1.2 million school desks has met 60 per cent of the need at primary and secondary schools in the centre and south. This is a great improvement compared with the situation in 1996, when primary and secondary school students were forced to sit on bare floors. The local production of textbooks has also increased with the delivery of necessary supplies.

24. Schools countrywide do not provide an environment conducive to learning; overcrowding and double shifts are the norm, a situation that requires urgent attention. Poor pay for teachers, as well as in other professions, also has a negative impact on the quality of education.

25. In the three northern governorates, the programme helped to increase primary school attendance by 32 per cent between 1996 and 2002 and secondary school attendance by over 74 per cent during the same period. Most schools operate in two rather than three shifts as a result of the greater availability of educational facilities. The United Nations has continued constructing and rehabilitating primary and secondary schools, benefiting more than 60,000 students.

26. Most universities in the centre and south are expanding their facilities, including the building of new campuses in Diyala and Kufa, in the Najaf governorate, and new universities are opening in Kerbala and Thi-Qar so that they can better cater to the increasing demand. In the three northern governorates, the university campus at Sulaymaniyah has been relocated to new premises in Qilyasan and Bakrajo, which will benefit more than 22,000 students and staff members.

Housing

27. In the housing sector in the centre and south, residential construction at the end of 2002 is expected to reach 14,432,896 square metres, compared with 13,930,490 square metres in 1990 and 347,892 square metres in 1996, while also generating new jobs for both skilled and unskilled labour.

Internally displaced persons

28. With respect to internally displaced persons in the three northern governorates, assistance has been provided in the form of housing services and infrastructure. This assistance has been provided to internally displaced persons and most vulnerable groups in their place of origin or in the settlement in which they have been integrated. Since the start of the programme, 19,051 dwelling units have been constructed benefiting 114,300 persons. In addition, community services provided include the construction or repair of 685 schools and other educational facilities benefiting 190,000 students, 127 health centres for more than 120 communities and villages, 99 agricultural and veterinary facilities, 49 social and civic buildings, 853 kilometres of water systems and 2,800 kilometres of roads and bridges connecting villages and communities. The United Nations has implemented a range of relief activities to address the immediate needs of internally displaced and vulnerable families living in transit and temporary facilities. In consultation with the local authorities, the United Nations seeks to ensure that all known internally displaced persons in the three northern governorates have effective access to the ration basket, targeted nutrition and supplementary feeding programmes.

29. There remain internally displaced persons in camp situations and pockets of urban poor in the northern governorates. The allocation of land by the local authorities has also progressed more slowly than expected. Of equal concern is the fact that some 3,000 dwellings remain unoccupied for lack of complementary services. In addition, delays by local authorities in nominating beneficiaries have compounded the problem.

Demining

30. Demining activities in the three northern governorates have resulted in the clearance of 1,434,213 square metres of land and the destruction of 1,018 anti-personnel landmines, the mine-free land being handed back to the landowners for agricultural and other civilian use. In addition, over 140,000 services of various types have been provided to mine victims, ranging from medical treatment and ortho-prosthetics to rehabilitation. Mine safety instruction courses have been provided to 240 communities, reaching 7,176 men, 8,353 women and 14,045 children.

31. During the reporting period, a number of constraints deeply affected the implementation of the programme in the three northern governorates. This includes some ongoing issues such as inordinate delays in the approval of visas — as at 31 October 2002 some 137 remained outstanding — as well as the clearance of essential supplies and equipment for use by the United Nations in support of activities and commodities being imported for project implementation.

32. The sudden and marked devaluation — by some 40 per cent at times — of the United States dollar against the local currency used in the three northern

governorates over the past four months has caused serious difficulties among local contractors, who have claimed to suffer financial losses. This has affected certain sectors involved in local construction, particularly in the areas of health and resettlement.

33. Furthermore, in the three northern governorates, the United Nations is involved in implementing projects that are similar to those covered under regular development programmes. However, the local authorities have informed the United Nations that they are having difficulty paying the salaries of civil servants, teachers and other technical staff and covering the costs of maintaining and operating capital assets provided under the programme.

III. Revenue

34. At present, 72 per cent of the total revenues received from Iraqi oil exported under the programme are allocated for the purchase of humanitarian supplies and equipment as well as services. As at 31 October 2002, after the deduction of funds for purposes authorized by the Security Council, 59 per cent of the total revenue of $59.13 billion, or $31.12 billion, had been made available to the Government of Iraq for the purchase of humanitarian supplies and equipment for the 15 governorates in the centre and south, where the Government is responsible for implementing the programme. About $7.2 billion, or 13 per cent, has been made available for programme implementation in the three northern governorates of Dahuk, Erbil and Sulaymaniyah. The amount also includes about $2.2 billion for the reimbursement of the cost of food and medicine for the three northern governorates purchased by the Government under bulk procurement arrangements, as well as a $771 million share for the purchase of oil spare parts and equipment, as authorized by the Council.

A. Revenue shortfall

35. Although the implementation of the revised procedures has brought about much-needed improvements leading to the more expeditious approval of applications, the benefits of implementing those procedures have been adversely affected by a substantial shortfall in the funding of the programme. The effective implementation of the programme during the past year has continued to be hindered by a number of difficulties, foremost among them a growing shortfall resulting from a substantial reduction in Iraqi oil exported under the programme. The level of oil exports has dropped from an average of over 2 million barrels a day in 2000 to under 1 million barrels in recent months.

36. The Government of Iraq has budgeted over $5 billion for the humanitarian programme for the current phase XII. In order to make that amount available to the programme, after the necessary deductions are made pursuant to relevant resolutions of the Security Council, Iraq would have to export about $7 billion worth of oil during the present phase, ending 25 November 2002. Unless there is a substantial increase in the level of oil exports, it is now estimated that revenue will total about $5 billion during the current phase. After the deductions are made in accordance with the relevant resolutions of the Council, only about $3.49 billion will be made available for the implementation of the programme, thus further compounding the

dire funding shortfall. By the most conservative assessment, some $4 billion has been lost due to the low level of exports during phase XII.

37. The funding situation with regard to the programme in the centre and the south is further compounded by the failure of the Government of Iraq to adjust the budgetary allocations contained in the distribution plans to more realistically align with the oil revenues that are available during each phase. The Office of the Iraq Programme has repeatedly recommended that the Government of Iraq keep under constant review the funding levels and revise downward the allocations contained in the distribution plans, ensuring as well the availability to various sectors of the necessary funds. Regrettably, instead of revising the allocations contained in distribution plans downward, the Government has continued to revise them upward, even during the present phase, mostly in favour of sectors that are already fully funded.

38. The situation is further exacerbated by the cumulative revenue shortfall from earlier phases, which has left about $2.98 billion worth of contracts for various humanitarian supplies approved by the United Nations for which no funds are available.

39. Several factors have contributed to the drop in the volume of Iraqi oil exports under the programme, including: Iraq's periodic unilateral suspension of its oil exports, such as their suspension for 30 days during the previous phase, which resulted in over $1.2 billion in lost revenue; the continued absence of an agreement between the Government of Iraq and the Security Council Committee established by resolution 661 (1990) concerning the situation between Iraq and Kuwait on the manner in which the price of Iraqi crude oil is set (the Committee has been pricing Iraqi oil retroactively amidst market reports of Iraq's demands for surcharge payments from its buyers); and concerns by traders over the reliability of uninterrupted Iraqi oil supplies and/or possible disruptions as a consequence of current political developments.

40. I should like to recommend that the Government of Iraq be forthcoming in order to resolve the continuing disagreement over the pricing of Iraqi oil so as to resolve the difficulties encountered in improving the critical funding situation. I should also like to appeal to the Security Council and its Committee to be forthcoming and to take the necessary and appropriate action in response to any positive measures that Iraq may take in that regard.

B. Impact of the revenue shortfall

41. I have on several occasions expressed my concern to the Security Council over the substantial shortfall in revenue, which has been adversely affecting programme implementation. As at 31 October 2002 there were applications valued at over $2.98 billion that could not be funded, even though they had been approved. All sectors are affected by this state of affairs. The following table provides information on the number of approved contracts, as at 31 October, for which no funds are yet available:

Sector	*Number*	*Value (US dollars)*	*Percentage*
Agriculture	328	538 794 505	18.05
Telcommunications and transport	98	240 934 654	8.07
Education	119	234 935 723	7.87
Electricity	171	559 875 722	18.76
Food handling	334	507 093 533	16.99
Health	234	308 588 343	10.34
Housing	178	308 080 058	10.32
Water and sanitation	90	286 483 353	9.60
Total	**1 552**	**2 984 785 892**	**100.00**

42. While the specific impact on sectors of the approved but unfunded applications varies, unless the present situation is redressed it is likely that many of the programme achievements to date will be compromised, leading to a worsening of the humanitarian situation. It will certainly not be possible to sustain or capitalize on the gains made to date unless the present level of funding is improved substantially.

43. Under the circumstances, it is recommended that the Government of Iraq take urgent steps to regularize its recent efforts to prioritize the funding of the approved applications for contracts covering all sectors and that it keep the Office of the Iraq Programme informed thereon in order to avoid unnecessary delays in the utilization of the limited funds available. It is also recommended that the Government of Iraq take the steps necessary to ensure that the minimal funds required to fund applications for priority sectors are retained even when there are inordinate delays in the submission of applications for contracts concerning such sectors as health, water and sanitation, as well as for essential items required to maintain projects already implemented. It is also essential for the Government to prioritize the funding of applications within each sector.

IV. Implementation of the revised procedures pursuant to resolution 1409 (2002)

44. In paragraph 8 of its resolution 1409 (2002), the Security Council requested the Secretary-General, in consultation with interested parties, to submit an assessment report on the implementation of the goods review list (GRL) and its procedures by the end of the current phase and to include in the report recommendations on any necessary revision of the list and its procedures, including the processing of contracts under paragraph 20 of resolution 687 (1991).

45. Through determined joint efforts, the Office of the Iraq Programme, the United Nations Monitoring, Verification and Inspection Commission (UNMOVIC) and the International Atomic Energy Agency (IAEA) have ensured the smooth transition to the revised procedures on schedule.

A. Registration and processing of applications

46. The registration of applications under the revised procedures became effective on 1 July 2002. As at 31 October, the Office of the Iraq Programme had processed a total of 4,070 applications worth $9.73 billion under the revised procedures, including new applications, "legacy" applications submitted before 1 July and applications previously placed on hold and now reprocessed under paragraph 18 of the revised procedures (which are attached to resolution 1409 (2002)).

47. GRL items have been identified in 108 applications worth $323 million, which constitute 3.3 per cent of the number and 4.6 per cent of the value of all applications reviewed so far by UNMOVIC and IAEA. It should also be noted that most of those applications (83) were previously on hold and were reprocessed under paragraph 18 of the revised procedures. The items identified thus far are mostly heavy vehicles, but also include veterinary vaccines, corrosion-resistant pumps, respirators and testing and control equipment. In all cases, notices have been sent to the submitting missions informing them of the options available to the suppliers under the revised procedures.

48. Detailed information and analyses on the registration, processing and approval of applications under the revised procedures are provided in the note by the Office of the Iraq Programme (see para. 1 above).

B. Implementation of paragraph 4 of the revised procedures

49. Paragraph 4 of the revised procedures stipulates that, at their discretion and subject to the approval of the Security Council Committee established by resolution 661 (1990) concerning the situation between Iraq and Kuwait, UNMOVIC and IAEA may issue guidance regarding what categories of applications do not contain any items covered by paragraph 24 of resolution 687 (1991) as it relates to military commodities and products or military-related commodities or products covered by the goods review list. UNMOVIC, IAEA and the Office of the Iraq Programme, working in consultation, may develop a procedure whereby the Office may evaluate and approve applications that, based on that guidance, fall within those categories.

50. In a letter dated 28 October 2002 addressed to the Executive Director of the Iraq Programme, the Chairman of the Committee informed him that out of the 5,991 proposed items in the list of 12 categories, transmitted by the Executive Director on 11 September, the Committee had approved 5,888 items (98.3 per cent) for inclusion in the "fast-track" list, while removing103 items (1.7 per cent) from the list. The latter would continue to be reviewed by UNMOVIC and IAEA to ensure that items were not included in the goods review list or otherwise subject to paragraph 24 of resolution 687 (1991).

51. The approved list (the "blue list") has been placed on the web site of the Office of the Iraq Programme. Provided that no other items are included in the applications, free-of-charge or otherwise, the Office will approve such applications containing only items specified in the list, without any further review by UNMOVIC and IAEA. Pursuant to paragraph 17 of the revised procedures, the Committee will continue to be provided with copies of such approved applications for information purposes only.

C. Implementation of paragraph 18 of the revised procedures

52. At the start of the implementation of paragraph 18 in late June, the number of holds stood at 2,202 applications valued over $5.4 billion. As at 31 October, all applications in category A holds had been returned to the submitting missions, while all applications in category B had been recirculated to UNMOVIC and IAEA for GRL review, thus effectively marking the completion of the implementation of paragraph 18.

53. UNMOVIC and IAEA have reassessed a total of 1,847 applications worth $4,690 million and found no GRL items in 760 applications worth just over $1 billion, which were subsequently approved by the Office of the Iraq Programme. This represents 34.3 per cent of the number and 20 per cent of the total value of all applications previously on hold, or 40.9 per cent of the number and 23 per cent of the total value of the reassessed applications. The categories of approved goods previously on hold covered a broad spectrum ranging from medicines, chemicals and laboratory supplies and medical and water-treatment equipment to generators, pumps and various types of vehicles not included in the goods review list.

54. UNMOVIC and IAEA have asked for additional information concerning 1,006 category B holds worth over $3.33 billion.

D. An assessment of the implementation of the revised procedures

55. Although the revised procedures pursuant to resolution 1409 (2002) have been implemented for only four months, an analysis of the relevant indicators would credibly lend themselves to the following preliminary conclusions:

(a) The entire process has become transparent to all parties involved, with predictable time frames for each processing step, and actual processing times were well within the time frames allowed under the procedures;

(b) An increase is expected in the rate of approval of applications by the Secretariat without reference to the Committee, as well as further improvement in the processing of basic humanitarian supplies included in the "blue list", with the implementation of fast-track procedures under paragraph 10 of the revised procedures;

(c) There has been a considerable, but expected, increase in the number of applications with UNMOVIC and IAEA that are not compliant with the goods review list due to the massive reprocessing of applications previously placed on hold;

(d) The number of non-compliant applications with the Office of the Iraq Programme has decreased as a result of the more precise registration criteria for new submissions and the reminders sent regarding previously non-compliant applications advising applicants of the possibility that they might become inactive in three months or lapse in six months. The latter campaign resulted in an increased response rate from the suppliers;

(e) Transparent, clearly-defined and consistent dual-use criteria have been used based on the goods review list, allowing for approval by the Secretariat of a large number of items often placed on hold previously by the Committee;

(f) There are relatively few applications containing GRL items and more options are available to suppliers and the Iraqi buyers with respect to items assessed as dual-use in the goods review list. Although one of the options allows suppliers to request a partial approval letter for non-GRL items while items on the list continue to be processed, none of the suppliers has opted for this solution so far;

(g) There is a better focus on the humanitarian implications of the non-approval of GRL items rather than considering their dual-use nature alone, allowing for approval of such items by the Committee under conditions of end-use verification.

56. In addition to the above preliminary conclusions, the following should also be borne in mind:

(a) Processing statistics should be kept under constant review to identify potential problems and their causes. The submitting missions and their suppliers should be briefed continuously on how to avoid problems and delays at different processing stages;

(b) Of particular importance is the continuous review of the GRL non-compliant category, considering the current increase in applications in that category. However, accurate conclusions on the scope and reasons for the problem can be drawn only three to six months after the requests for additional information, and the problems, if any, may be addressed at that time, as appropriate;

(c) The approval of GRL items should continue, with end-use verification to be used as and when required. With fewer items submitted to the Committee for approval, the burden on the observation and monitoring system in terms of sheer numbers is likely to decrease, allowing for more thorough monitoring of items selected for end-use verification, thus providing better assurance that approved GRL items would be used for the intended purposes only;

(d) While paragraph 10 of the revised procedures requires the Office of the Iraq Programme and the United Nations Treasury to inform the banks within five working days that the items in the application have arrived in Iraq, for a variety of practical reasons it was not possible for the Secretariat to always comply with this deadline. A more realistic deadline may be considered at this point.

V. Processing of applications under paragraph 20 of resolution 687 (1991)

57. Applications for foodstuffs and materials and supplies purchased outside the humanitarian programme pursuant to resolution 986 (1995) for essential civilian needs under paragraph 20 of resolution 687 (1991) are submitted to the Office of the Iraq Programme by the permanent or observer mission of the suppliers. Those applications are registered by the Office of the Iraq Programme and circulated to the Committee on a "no-objection" basis. As opposed to blocking or placing on hold an entire application that contained an objectionable item, the Committee in 2001 approved a recommendation by the Executive Director of the Iraq Programme that allowed for the partial approval of those goods in the applications to which the Committee had no objection.

58. Applications submitted under resolutions 661 (1990) and 687 (1991) are not reviewed by UNMOVIC and IAEA, and the judgement on their technical specifications remains entirely with the experts of the Committee members. This would appear to have resulted in a considerable amount of unnecessary holds or blocks, which are rarely removed subsequently. Since UNMOVIC and IAEA do not review these applications for GRL compliance, the Office of the Iraq Programme would not be in a position to answer queries from the applicants as to whether or not blocks or holds were placed because the items were covered by paragraph 24 of resolution 687 (1991) or the goods review list.

59. Accordingly, the Security Council may wish to consider applying the provisions of paragraph 4 of the revised procedures on the applications submitted under paragraph 20 of resolution 687 (1991) as well. Applications that do not qualify for approval by the Office of the Iraq Programme under the above-mentioned paragraph could be subjected to GRL review by UNMOVIC and IAEA according to other provisions of the revised procedures. This could conceivably reduce the number of blocks or holds placed on this category of applications.

VI. Distribution plan submitted by the Government of Iraq

60. I should like to comment on the request contained in paragraph 8 of resolution 1409 (2002) regarding the utility of the distribution plan as referred to in paragraph 8 (a) (ii) of resolution 986 (1995).

61. Pursuant to paragraph 8 (a) (ii) of resolution 986 (1995) and section II of the memorandum of understanding signed on 20 May 1996 by the Government of Iraq and the United Nations Secretariat (S/1996/356), the distribution plan is submitted by the Government of Iraq to the Secretary-General for his consideration and approval. The executive summary of the distribution plan provides essential information on the manner in which Iraq intends to implement the provisions of the relevant decisions of the Security Council, including the humanitarian objectives and priorities set by the Council. The distribution plan covers the whole of Iraq, including the three northern governorates. It also includes a series of annexes providing the list of supplies and equipment to be purchased and imported by Iraq for the implementation of the programme during a given phase.

62. In addition to providing the Government's proposed budget for the implementation of the programme during a given phase, the distribution plan also provides, in table 1, the allocation for sectoral activities covered by the plan. While the figures are only indicative at the start of the phase and are subject to the availability of revenues received through the export of oil, they are essential for planning purposes.

63. Given the volume of the distribution plan, in particular the length of the annexes and the fact that the requirement for many basic consumables does not change from phase to phase, there is a need to streamline the process of finalizing the plan before its submission to the Secretary-General. The annexes to the distribution plan for phase XII are the most extensive and cover most of the requirements. As they are already posted on the web site of the Office of the Iraq Programme, the next distribution plan should contain categorized lists only for items not already covered in the distribution plan for phase XII. These will be added as amendments to the phase XII annexes, which will then constitute the distribution

plan's categorized list of goods. At the same time, the Office of the Iraq Programme will establish a list of goods actually authorized in each phase, creating a categorized list that is an accurate document of record of what has been approved, either by the Committee or by the Secretariat under the delegated authority given in resolution 1409 (2002).

64. Accordingly, I should like to recommend that the executive summary continue to be presented by the Government of Iraq at the start of each phase authorized by the Security Council. It should continue to contain both the financial allocations to sectors and subsectors and an updated explanation of how proposed procurement relates to activities of direct relevance to the humanitarian well-being of the civilian population.

65. It is essential, however, that the Government of Iraq prepare the distribution plan with more realistic budgetary allocations and keep under constant review the funding levels and revise downward the allocations contained in the distribution plans, ensuring as well the availability of necessary funds to various sectors, particularly to priority sectors such as health, water and sanitation.

VII. Observations

66. The humanitarian programme in Iraq pursuant to resolution 986 (1995) was never intended to be a substitute for normal economic activity. As long as the comprehensive sanctions remain in force, however, there is no alternative to the programme for addressing the humanitarian situation in Iraq. Despite its shortcomings, the programme has made and continues to make a major difference in the lives of ordinary Iraqis.

67. The effectiveness of the programme could be further enhanced if all parties concerned took the concerted measures necessary for removing the difficulties faced in its implementation, including, in particular, severe difficulties in connection with the dire funding shortfall encountered by the programme.

68. While, understandably, the current discussions are focused on the resumption of the weapons inspection regime, I should like to appeal to all concerned to also focus attention on the humanitarian dimension and to spare no effort in meeting the dire humanitarian needs of the Iraqi people.

69. Finally, I should like to pay tribute to all United Nations personnel associated with the programme for their commitment and tireless efforts, often under very difficult conditions, to serve the Organization and the Iraqi people.